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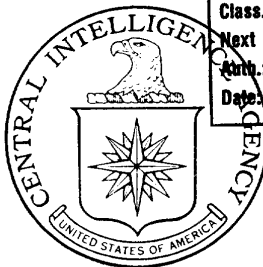
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CURRENT INTELLIGENCE WEEKLY SUMMARY

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CURRENT INTELLIGENCE WEEKLY SUMMARY

7 January 1960

THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST

EAST-WEST RELATIONS Page 1

Khrushchev used a number of year-end messages and statements to stress disarmament as the key issue in international relations in an effort to emphasize the USSR's peaceful posture in the period leading up to the summit meeting on 16 May. The Soviet premier's reiteration of the Soviet proposal for universal disarmament, his suggestion of a possible unilateral reduction in Soviet forces, and his renewed pledge that the USSR would not be the first to resume nuclear tests were intended to underline Moscow's desire to maintain the "noticeable thawing in international relations" which he claims was characteristic of 1959. At the Supreme Soviet session beginning on 14 January, Khrushchev will probably summarize the USSR's position on the issues to be discussed at the summit conference and may also elaborate on his hints of Soviet troop cuts. [REDACTED]

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MIDDLE EAST HIGHLIGHTS Page 3

Iraqi political parties have begun to apply for licensing under Qasim's new party law, thus opening a new phase in the contest between pro- and anti-Communist elements for predominant influence over the government. The Shatt al Arab issue continues to disturb Iraqi-Iranian relations, although both sides still seem to desire a peaceful settlement. In the UAR, President Nasir has successfully weathered the resignation of the Baathist ministers in the Syrian region, but his troubles with Syria are by no means over. A new Saudi Arabian budget for 1960 indicates that Crown Prince Faysal's 1959 "austerity" financial program was largely successful. [REDACTED]

25X1

NEW GOVERNMENT IN LAOS Page 6

A new coalition cabinet has been formed under the premiership of Khou Abhay, the elderly former president of the King's Council. The new government includes representatives of the reformist Committee for Defense of National Interests (CDNI) and former Premier Phoui's old-guard Rally of the Lao People, in addition to political independents such as Premier Khou. The cabinet's major function will probably be preparing the country for national elections some time this year. CDNI members may also push for a harder line toward the Communists. [REDACTED]

25X1

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1

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****7 January 1960****PART II****NOTES AND COMMENTS****SINO-INDIAN BORDER DISPUTE Page 1**

Communist China's latest note to India contributes nothing to break the deadlock on the border issue. The note, delivered on 26 December and broadcast by Peiping on 2 January, was moderate in tone but repeated the "historical facts" Peiping uses to back up its territorial claims while denying those of New Delhi. It called again for talks between Nehru and Chou En-lai and urged the Indians to accept the Chinese view that the entire border has never been delimited. Initial Indian reaction to the note has been negative. In the hope of enlisting Soviet influence to make some change in the Chinese position, Nehru may wait until after Khrushchev's visit to New Delhi--expected in February or early March--to make a formal reply. [REDACTED]

KHRUSHCHEV'S VISIT TO INDONESIA Page 2

Khrushchev's projected visit to Indonesia, scheduled for 18 February to 2 March, will enable him to repay a long-overdue protocol debt and to exercise his personal diplomacy. He is expected to use both this visit and a stopover in India and Burma to attempt to smooth relations between those countries and Communist China and to seek official support for the positions he plans to press at the summit meeting. [REDACTED]

AFGHAN PROBLEMS FOLLOWING KANDAHAR RIOTS Page 3

The recent riots in the city of Kandahar--occasioned by the Afghan Government's policy of encouraging women to appear in public without the veil--has caused Prime Minister Daud to postpone indefinitely his trip to Vienna for medical treatment. Daud will probably remain in Afghanistan until satisfied that the unrest will not spread to the Pushtoon tribes. While looking for ways to strengthen his position with the tribes, Daud apparently is determined to press ahead with his reforms, feeling it would be more dangerous to give in to his opposition than to suppress it. [REDACTED]

EAST GERMAN FARMERS RESORT TO SABOTAGE AGAINST REGIME . . Page 4

East German leaders have recently been outspoken in their expression of concern over increasing peasant resistance manifested by acts of arson, sabotage, and physical violence. Regime determination to press more farmers into

SECRET

ii

THE WEEK IN BRIEF

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

7 January 1960

PART II (continued)

collectives appears to have raised rural discontent to its highest level in recent years, and runs the risk of further difficulties with the food supply, already sharply curtailed by last summer's drought. [REDACTED]

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SOVIET BLOC RESUMES PRESSURE ON GREECE Page 5

The Soviet Union and the Balkan satellites have renewed pressure on the Karamanlis government through a mixture of threats and blandishments. Satellite leaders have issued new calls for improved relations, and the USSR has proposed that the Big Three attempt to settle outstanding differences between Greece and Bulgaria. Athens shows no weakening in its determination to resist these pressures, but fears that the Greek people may be impressed by conciliatory gestures from the Communist bloc. [REDACTED]

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SINO-SOVIET BLOC AID TO NON-COMMUNIST COUNTRIES Page 7

During 1959 the Sino-Soviet bloc extended to nonbloc countries slightly more than \$1 billion in new credits--virtually all for economic development in the underdeveloped countries of Asia, Africa, and the Middle East. The USSR accounted for about 90 percent of the 1959 aid, including a new credit to Finland. Since the beginning of the bloc's economic offensive in 1954, the Soviet Union has extended about \$2.5 billion, and East European nations and Communist China about \$1 billion in credits. Military material accounts for most of the aid delivered to date, about one third of the total extended, but more economic credits will be used during 1960. There are indications that the program will be expanded, with new emphasis on African and Latin American countries. [REDACTED]

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WESTERN EUROPE'S ECONOMIC GROUPINGS Page 8

European finance and economics ministers will meet informally in Paris on 12 and 13 January to seek a basis for reconciling fundamental differences between the French-led European Economic Community and the British-inspired European Free Trade Association. Only limited progress is expected. The meeting will explore in addition the question of a joint Western program for aid to underdeveloped countries, but agreement on means for accomplishing this is also unlikely. [REDACTED]

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TERRORISM IN CAMEROUN Page 10

Terrorist activity appears to be turning into virtual civil war in parts of southwestern Cameroun, the former UN trust territory which became independent on 1 January. French Army units--heretofore officially confined to border control operations--are expected soon to be reinforced

SECRET

iii

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****7 January 1960****PART II (continued)**

and to respond to Prime Minister Ahidjo's request for direct assistance. While more overt and energetic French military involvement may contain the violence, which is limited to one major tribe and is basically social and economic in origin, it is also likely to be exploited by domestic and foreign elements who consider Ahidjo a French stooge. [REDACTED]

MACMILLAN'S AFRICAN TRIP Page 11

London is engaged in a restudy of its approach to the reconciliation of the clashing interests of the Africans and white settlers in Rhodesia-Nyasaland and Kenya. Prime Minister Macmillan on 5 January began a month-long tour of Ghana, Nigeria, South Africa, and the Federation of Rhodesia and Nyasaland which will help formulate government decisions on several African questions which have become major domestic political controversies. The new colonial secretary, Iain Macleod, visited East Africa last month. [REDACTED]

TENSIONS BETWEEN ETHIOPIANS AND SOMALIS Page 12

Friction in eastern Africa between Ethiopia and its Somali neighbors will probably increase as Somali nationalism gains strength. The Italian trust territory of Somalia will become independent in July 1960, the protectorate of Somaliland is being prepared for early independence by Britain, and the pan-Somali movement is becoming more active in its efforts to achieve union of all ethnic Somalis--including those in southeastern Ethiopia. [REDACTED]

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ALGERIAN REBELS CONFER IN TRIPOLI Page 13

The meeting of the Algerian rebel Revolutionary Council, now in its third week, is expected to result in a reorganization of the provisional government which will increase the influence of military leaders. Such a move would place in positions of power the "men who fight" to whom De Gaulle's cease-fire proposals were addressed; at the same time it would dramatize the rebels' willingness to continue the war if a satisfactory peace cannot be arranged. Other topics under discussion probably include the supply difficulties of rebel forces in Algeria and a possible relocation of rebel ministries based in Tunis. [REDACTED]

SECRET

iv

THE WEEK IN BRIEF

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****7 January 1960****PART II (continued)****FRENCH LABOR UNREST GROWS Page 14**

French labor unions, frustrated by the Debré government's refusal to grant more than token wage increases, have recently stepped up the number and scope of short protest strikes in public services and the nationalized industries, such as Air France and the railroads. While the government has shown no inclination to compromise in response to such strike action, it must expect increasingly effective union pressures as a result of the new willingness of non-Communist unions to cooperate with Communist-led organizations, especially at the local level.

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THREATS TO ITALIAN PREMIER SEGNI'S GOVERNMENT Page 15

Italian Premier Segni's Christian Democratic minority government is threatened by intraparty dissension over pending major legislation and by the possible loss of parliamentary support from the right-wing parties, which fear a Christian Democratic deal with the Nenni Socialists in Sicily. The last-minute postponement of Gronchi's trip to the USSR is probably the result of domestic pressures as well as reasons of health, and suggests that a political crisis may be imminent.

[REDACTED]

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COMMUNIST INFLUENCE IN FINNISH LABOR Page 16

Tactical moves by the dissident Social Democratic faction of the Finnish Confederation of Labor (SAK) are weakening the position of the moderate SAK leadership and are greatly increasing the danger of eventual Communist domination of the organization. The danger is probably greater now than at any time during the past decade. The dissidents appear prepared to enter into a tactical alliance with the Communists, who with their sympathizers already constitute an estimated 40 percent of SAK's 240,000 members.

25X1 [REDACTED]

PANAMANIAN POLITICAL OUTLOOK Page 16

Continued anti-US agitation and demands for further US concessions regarding the Panama Canal are expected to characterize the campaigning now getting under way for Panama's May 1960 presidential election. Leaders of nine parties are jockeying for party endorsement and public support. Opposition-inspired demonstrations against President de la Guardia's administration will be especially likely during the campaign and may lead to new anti-American incidents.

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v

THE WEEK IN BRIEF

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****7 January 1960****PART III****PATTERNS AND PERSPECTIVES****DE GAULLE AND COMMUNIST CHINA Page 1**

De Gaulle is apparently increasingly concerned that Peiping is the major long-range threat to world peace and has publicly characterized Communist China as a "yellow peril" which is particularly threatening the "white, European" USSR. The French are also impressed by divergent Moscow and Peiping tactics, especially toward the Algerian problem, and believe that in underdeveloped areas there is a general Soviet-Chinese rivalry which can be exploited. De Gaulle's suggestion of "nonintervention" and joint East-West aid to underdeveloped countries as summit topics is connected with his concern over Peiping, since he maintains that these topics offer the best chance for genuine cooperation between Moscow and the West as a prelude to what he calls a new world equilibrium. Meanwhile, however, the question of France's relation with Communist China will depend largely on purely national considerations, and De Gaulle's recognition of the Peiping regime at a tactically advantageous time is a distinct possibility.

NAVAL CONSTRUCTION IN COMMUNIST CHINA Page 4

Since its inception in 1949, the Chinese Communist Navy has had a steady growth and is now the largest navy of any Asian country. Although still primarily a coast defense force, it does have a small strategic capability in its 15 native-built, W-class, long-range submarines. Communist China has built, with Soviet aid, Riga-class escort vessels, T-43 minesweepers, torpedo boats, and gunboats.

COMMUNIST BLOC ACTIVITY IN NON-ARAB AFRICA Page 7

The USSR, in concert with other bloc countries, has moved rapidly to expand diplomatic, economic, and cultural ties with Guinea and Ghana and to exploit Haile Selassie's acceptance of economic aid during his mid-1959 visit to the bloc. Moscow is attempting to establish relations with Liberia, pave the way for diplomatic and economic ties with Cameroun and four more territories slated for independence in 1960, and woo nationalist leaders and movements throughout non-Arab Africa, including colonial and trust areas.

SECRET

vi

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CURRENT INTELLIGENCE WEEKLY SUMMARY

7 January 1960

PART III (continued)

GREECE FACES SERIOUS ECONOMIC PROBLEMS Page 13

Greece may be heading for a serious recession as a result of unfavorable trends which have developed in the economy in recent months. The economic decline is frustrating Athens' attempts to meet the country's NATO obligations. Pro-Communist Greeks and Soviet representatives are attempting to exploit the situation by emphasizing the bloc's willingness to buy the country's agricultural surpluses. There are fears in Greece that continuing deterioration of the economy may undermine the Karamanlis government.

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vii

THE WEEK IN BRIEF

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

7 January 1960

PART I**OF IMMEDIATE INTEREST****EAST-WEST RELATIONS**

Khrushchev has used a number of year-end messages and statements to stress disarmament as the key issue in international relations in an effort to emphasize the USSR's peaceful posture. He reiterated the Soviet proposal for universal disarmament, hinted at a possible unilateral reduction in Soviet forces, and renewed the pledge that the USSR would not be the first to resume nuclear tests. Such remarks were intended to underline Moscow's desire to maintain the "noticeable thawing in international relations" which the Soviet premier claims was characteristic of 1959.

Troop Reduction

At a Kremlin New Year's Eve reception, Khrushchev speculated on the possibility of a further unilateral reduction in Soviet forces. He may use the Supreme Soviet session beginning on 14 January as an occasion to elaborate on his remarks.

On New Year's Eve, Khrushchev posed the question whether the Soviet Union should not proceed unilaterally if the "cold war forces" seek "to drag us into the labyrinths of endless disputation." He concluded that it might be "worthwhile" to reduce conventional forces and rely on "rockets for defense." Since August 1955, the USSR has announced three troops reductions totaling 2,140,000 men. A formal announcement of further cuts would strengthen the USSR's position in pressing its proposal for universal disarmament, which Khrushchev apparently intends to make the central theme of the Soviet line prior to the East-West summit meeting.

Any reduction of Soviet forces would be beneficial from the economic standpoint. The Seven-Year Plan calls for a rise in state employees of 12,000,000, of which only about 8,500,000 will come from the natural increase of the population. Measures are under way to lessen this gap by employing more women and youths, and the balance will have to be made up by transfers from the collective farms or by releases from the military. For the next few years the outlook is for substantially smaller numbers of males reaching working and conscription age, and manpower needs may cause the Soviet leaders to permit military force levels to drop automatically by continuing the present rates

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CURRENT INTELLIGENCE WEEKLY SUMMARY

7 January 1960

of deferments from military service and the present pattern of call-ups and releases.

The general trend of Soviet military thinking has been toward greater reliance on missiles and nuclear weapons in defense planning. This was most recently reflected in Khrushchev's remarks to Austrian officials in October that he had asked his military advisers for an estimate of the cost of shifting the Soviet military system from conventional armaments to missiles. He added that their estimate of 30 billion rubles (\$7.5 billion at the official rate) would be cheaper than the cost of a system based on conventional weapons.

Khrushchev's remarks on reliance on missiles may have also been intended to underscore the USSR's achievements in modern weapons development. His statements were preceded by glowing references to advances in Soviet rocketry during 1959.

Disarmament

In a letter to Japanese public figures and newspapers on 30 December, Khrushchev presented a favorable assessment of the past year's developments and expressed his expectation that "joint steps" would be taken at a summit conference in order "to find ways to agreement on disarmament and on other pressing international issues." Cautioning against overestimating the achievements already attained in relaxing tension, Khrushchev stated that only the first step had been taken. He reviewed the details of his proposal for universal disarmament which he described as serving the "lofty and noble goal of peaceful co-existence."

Apparently referring to the US announcement reserving the right to resume nuclear testing, Khrushchev condemned as "particularly deplorable" actions which were "likely to complicate negotiations and raise more obstacles to establishing international understanding."

In replying on 30 December to questions submitted by an Argentine editor, Khrushchev singled out universal disarmament as the "most pressing and the most burning problem of the present time." He characterized the disarmament problem as "far outside" the framework of special conferences of experts and diplomats and recalled that the Soviet Union had proposed that "radical" steps be taken to achieve a disarmament solution.

Predicting that a disarmament settlement along the lines proposed by the USSR would mark 1960 as the year beginning the realization of "mankind's age-long dream of a world without wars," Khrushchev noted that the ten-nation disarmament committee would be meeting in March "under conditions in which the clear prerequisites for a serious improvement in the international situation are at hand." The Soviet premier pointedly called attention to the "great significance" of his agreement with President Eisenhower that disarmament was the most important question facing the peoples of the world.

Nuclear Testing

In the first top-level response to the US decision reserving the right to resume nuclear tests, Khrushchev reaffirmed Moscow's pledge not to resume tests unless the West did so. He claimed in his interview with the Argentine journalist that all the prerequisites for a ban on nuclear testing already exist and that the USSR is prepared

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 January 1960

for an immediate agreement. Clearly referring to the dispute over the detection of underground nuclear tests, the Soviet leader expressed a hope that the desire for cooperation between states so recently evident would help to remove "all the obstacles that are being artificially placed" in the way of improved relations.

Soviet propagandaists have strongly implied that the US is seeking some pretext for resuming tests, although they have abandoned earlier press treatment designed to leave the impression that recent AEC experiments with conventional explosives were actually nuclear tests.

On 2 January, two days after Pravda had correctly identified these experiments as nonnuclear,

Peiping picked up and repeated in the press and propaganda broadcasts the earlier Soviet charge. People's Daily alleged that "in fact" the United States had conducted a series of "underground nuclear weapons experiments, according to the US Atomic Energy Commission."

Summit Meeting

Commenting publicly for the first time since his agreement to attend a summit meeting in Paris on 16 May, Khrushchev, in his letter to the Japanese, specifically spelled out the United States, Britain, France, and the USSR as the participants. As in his first reply to the Western leaders, Khrushchev's 30 December letter also referred to a four-power meeting. [REDACTED]

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MIDDLE EAST HIGHLIGHTS

Iraq

Although celebrations for Iraqi Army Day on 6 January ostensibly were organized by a committee representing anti- and pro-Communist elements, the parade was dominated by such Communist-front groups as the Peace Partisans, Democratic Youth, and Communist-dominated unions and professional organizations. The main theme was "peace," with anti-Nasir and anti-imperialism banners vying with "peace doves" for second place.

Army Day also was the occasion for legalization of political parties under the new "Associations Law," which governs the activities of such organizations as the Red Crescent, as well as political parties. Party activities will be under the control of the minister of interior, who has the authority to dissolve parties which violate the strict provisions of the new law. Students, army personnel, judges, and certain other government personnel are banned from party membership. Any party may publish a newspaper;

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****7 January 1960**

subject to the usual press censorship. Although provisions exist for appeal from the decisions of the Interior Ministry, these are highly circumscribed and will be ineffectual in practice.

The National Democratic party (NDP) is the first party to take advantage of the new law, and Minister of Agriculture Hedayb Haj Hammud has resigned his position in order to lead the party. Other prominent NDP members in the cabinet, such as Finance Minister Hadid and Foreign Minister Jawad, are remaining, at least for the time being. Hammud was replaced by Brigadier Amin, an anti-Communist.

On 4 January American military attachés were permitted to attend, for the first time since the 1958 revolution, an Iraqi Army exercise. Held in what was claimed to be a "normal" way near the Iranian border, the exercise was well planned and executed. It included units using artillery and tanks procured from the Soviet bloc, but British rather than Soviet-type aircraft.

Accompanying the resumption of political activities is the threat of inflation and disillusionment with the regime's ability to deliver on unrealistic promises. This is causing increasing concern among Iraqi officials who are aware of the economic pitfalls facing Qasim and who report that he has taken over almost single-handedly the conduct of economic affairs, ignoring his ministers and staff. Wage increases, in some cases reaching 80 percent, and a 40-percent rise in the

note issue since the revolution, coupled with a poor date crop and disastrous grain harvest, could lead to a rapid inflationary spiral.

Iraq-Iran

Relations between Iraq and Iran continue to be strained by the Shatt al Arab controversy, and the tone of recent propaganda exchanges remains belligerent. Although direct talks between the foreign ministers of the two countries may be held in the near future, little willingness to compromise is apparent. If direct talks fail, the issue may be referred to the UN or the International Court, a move that could present a potentially serious dilemma for Iran's Western allies.

UAR

Nasir's acceptance last week of the resignations of five Baathist members of the Syrian cabinet has probably been interpreted by conservative elements as further evidence that the regime will be compelled to rely more and more on the old-line politicians, merchants, and large landowners. Nasir used such elements to undermine the socialist Baathist strength in last July's elections and may make further concessions to them when he forms a new cabinet and parliament next month. Vice President Amir, since his arrival in Syria on an expediting mission last October, has spent much of his time reassuring the conservatives regarding Cairo's intentions.

Any gain in conservative support the regime may obtain

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

7 January 1960

could be short-lived, however, and Nasir still face formidable long-range problems in Syria. Reliance on the opportunistic Abd al-Hamid Sarraj as the regime's watchdog in Syria is a weak point, and although the suppression of political party activity has thus far handicapped the formation of organized resistance to the regime, dissidence exists on many levels and in the military.

The regime's success in Syria may ultimately be decided by its handling of the worsening economic situation. Syria is now suffering from its third consecutive year of drought--popularly, if illogically, blamed on the Egyptians--and Cairo's measures to extend state control over the free Syrian economy have also caused resentment. Amir's mission has been generally well received, but his efforts to improve Syrian economic conditions will not have immediate visible results. Meanwhile, the regime will continue to be hard pressed to improve its slipping prestige and hold together the two-year-old union.

Suez Canal Dispute

The Astypaléa, a small Greek freighter, is still detained at Port Said with its cargo of cement from Israel, and UN Secretary General Hammarskjöld is continuing his efforts to obtain its release.

The secretary general has a personal interest in this latest incident in the controversy over Israeli shipping via the Suez Canal, since he believes the UAR's action has jeopardized his effectiveness as a mediator. The Astypalea's

voyage was to have been the first test of the UAR's private agreement, negotiated by Hammarskjöld, to permit through the canal cargoes sent f.o.b. from Israel and those sent c.i.f. to Israel. Under these terms--Cairo's "effective position"--Israel would not legally own the cargoes, and the UAR could let them pass in accordance with its public prohibitions against Israeli-owned goods.

The arrangements, however, foundered on a technicality. Cairo claims the ship's papers show that while there is a contract for sale of the cement, no money changed hands and the cargo therefore is still Israeli property subject to the usual restriction. Nasir's government is particularly sensitive on this point, because it wants to avoid providing grist for critical propaganda from Iraq.

So far the Israelis, although perturbed, seem content to let Hammarskjöld try to untangle the problem, at the same time charging that the vessel's detention supports their contention that Nasir cannot be trusted. An eventual formal complaint to the UN Security Council remains a possibility if the ship and its cargo are not soon released.

Saudi Arabia

Saudi Arabia, which began 1959 in a very shaky financial condition, ended the year in a relatively sound position. For the first time in history, the budget was presented before the beginning of the Saudi fiscal year--31 December. Revenues and expenditures are at about the same level as last year, although allocations for the royal

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****7 January 1960**

family are up somewhat. The 1960 budget reflects the success of Crown Prince Faysal's "austerity" program, which halted the country's slide toward economic chaos.

A high point in Faysal's efforts to modernize the country's finances was the 28 December decree providing for a

gold-backed Saudi paper currency. This is a further step away from Saudi Arabia's traditional but long discredited bimetallic gold and silver standard. Pilgrim receipts, a form of paper currency which has been circulating for several years, will be gradually replaced by the new paper riyal.

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NEW GOVERNMENT IN LAOS

The new government formed in Laos under Khou Abhay, a respected and moderate elder statesman who was most recently president of the King's Council, comprises three representatives of the reformist Committee for Defense of National Interests (CDNI), three from former Premier Phoui's old-guard Rally of the Lao People (RLP), and four independents considered close to King Savang. This development follows by one week Phoui's forced resignation as the result of a dispute with the King and the CDNI over constitutional matters.

The government in the meantime had been in the hands of the Laotian Army's five generals, three of whom are CDNI members. Their most significant step was to decree that the National Assembly's mandate had expired on 25 December, thus registering the victory of the CDNI and the King in their constitutional dispute with Phoui.

The new cabinet, whose main function will be to prepare the country for elections sometime this year for a new National Assembly, is probably the best that could be obtained under present political conditions in Laos. The CDNI will control

the important ministries of foreign affairs, defense, and finance, while the interior portfolio will be held by one of the more able of the RLP's leaders. Aside from Phoui's departure, the net effect of the recent crisis in terms of power relationships within Laos' anti-Communist ranks will be to give the CDNI a possibly decisive voice in determining the conservative slate in the forthcoming electoral contest.

Despite the fact that the militantly anti-Communist CDNI disclaims any intention to make radical changes in policy, a harder line toward the Communists is possible. The mere anticipation of a more repressive government policy may stimulate Communists both at home and abroad to take countermeasures, perhaps including intensified guerrilla activity. The North Vietnamese radio has already called on the Laotian people to unite and struggle against the CDNI, which it branded an "instrument of American imperialism." It has charged the Laotian Army with recent border violations and warned that these will have "disastrous consequences."

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

7 January 1960

PART II**NOTES AND COMMENTS****THE SINO-INDIAN BORDER DISPUTE**

Communist China's latest note to India, delivered on 26 December and broadcast on 2 January, contributes nothing to break the deadlocked border issue. New Delhi's initial reaction has been negative.

The note--an answer to Indian communications of 26 September and 4 November--was essentially a repetition of the "historical facts" Peiping uses to portray its own territorial claims as traditionally valid while denying those of India. It was couched in relatively moderate tones and contained sufficient references to Sino-Indian friendship to suggest that the Chinese are anxious to calm the dispute with a display of their best diplomatic manners even though they have no intention of acquiescing in Indian demands. Broadcast of the full text in English to Europe and Asia further suggests that Peiping hopes to convince others of its "just and reasonable" position.

The Chinese again urged that talks between Chou En-lai and Nehru be held "speedily," ignoring Nehru's decision against meeting while the positions of the two sides are so far apart. Peiping, apparently feeling that if such a meeting were scheduled, its bitter critics in India would have to moderate their attacks to avoid embarrassing the Indian prime minister at the conference table, suggested that a Chou-Nehru meeting could "reach agreement on some principles." Two such "key points"

the Chinese called on India to accept are Peiping's view that the entire border has "never been delimited" and Chou's previous proposal for a mutual withdrawal of frontier troops.

Neither of these points is likely to be acceptable to the Indians, who have already rejected Peiping's withdrawal proposal and have consistently maintained that most of the border is delimited by custom or treaties. Nehru will probably again turn down a meeting with Chou on the grounds that it is premature. He may suggest, however, that lower-level meetings be held.

Nehru may defer a formal reply to the Chinese note until after Khrushchev's expected visit to New Delhi in February or early March. He may hope to enlist Soviet influence to make some change in Peiping's position. Khrushchev, who has been embarrassed by the dispute and has remained publicly neutral, probably will encourage Nehru to enter negotiations with the Chinese.

While diplomatic efforts seem to have brought the countries no closer to negotiation, both the Chinese and the Indians apparently hope to avoid further armed clashes and have restricted their border patrols. Indian officials have denied press reports that Chinese troops shot down an Indian transport plane which crashed on 3 January while dropping supplies to Indian outposts in the rugged mountain country of northern Assam.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

7 January 1960

KHRUSHCHEV'S VISIT TO INDONESIA

Khrushchev's projected visit to Indonesia, now scheduled for 18 February to 2 March, will enable him to repay a long-overdue protocol debt and to exercise his personal diplomacy. President Sukarno, who visited Moscow in 1956 and again in May 1959, renewed his invitation for Khrushchev to visit Djakarta through party presidium member N. S. Mukhitdinov when the latter headed a Soviet parliamentary delegation to Indonesia in October 1959. Khrushchev will probably offer the government support for its claims to West Irian, bolster its neutralism, and expound on the Soviet Union's desire to bring peace to the world. Since Indonesia has used only a fifth of the \$100,000,000 credit granted in 1955, no new aid offer is likely.

The problem of Communist China's deteriorating relations with Indonesia because of the dispute concerning Overseas Chinese may cause Khrushchev some embarrassing moments. The Indonesian press has already begun to claim that the visit indicates that he "is not particularly pleased with China's discourteous attitude toward Indonesia."

The Chinese, however, are moving on their own to calm the furor; Chinese Foreign Minister Chen Yi's letter of 24 December was mild in tone and called for speedy action on an exchange of the ratifications of the citizenship agreement and an opening of negotiations on the Indonesian treatment of Overseas Chinese. On 31 December, Chinese Communist Ambassador Huang Chen appealed to Foreign Minister Subandrio to let "bygones be bygones" and said that China was ready to accept the Indonesian decision on "internal policy."

If negotiations have not started by the time Khrushchev arrives in Djakarta, he can be expected to maintain the Soviet Union's position of neutrality in the dispute while minimizing the adverse effects it has had and calling for negotiations in "good faith."

Khrushchev's visit is unlikely to produce any noticeable changes in Indonesia's neutralist policy. It is likely to have its principal effect on the Indonesian Communist party, (PKI), the largest such party in non-Communist Asia and the largest single party in Indonesia. Presently obstructed at the national level by army policies, PKI recruiting activity and prestige among the masses will profit from the appearance of the world's foremost Communist leader with President Sukarno, Indonesia's most popular figure.

Khrushchev has been invited to stop over in New Delhi during his trip to Indonesia. He will probably concentrate on getting public and official Indian support for a general statement of the positions he plans to press at the summit meeting.

As in Indonesia, Khrushchev will be faced with an embarrassment caused by China. The USSR's neutral public stand on the border issue, however, has kept it free of blame, and Khrushchev's many private communications have impressed Nehru with Moscow's desire to make certain the dispute does not lead to a deterioration of Soviet-Indian relations.

Khrushchev will also visit Burma during the trip and may stop in other Southeast Asian countries, such as Cambodia, if invited.

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 January 1960

AFGHAN PROBLEMS FOLLOWING KANDAHAR RIOTS

The Afghan Government has taken a serious view of the antigovernment riots in the city of Kandahar on 21 and 23 December. Prime Minister Daud, who was to go to Vienna for medical treatment, has postponed his departure indefinitely, probably until he is satisfied that the unrest has been completely suppressed and will not spread to the Pushtoon tribes. The governor of Kandahar is apparently under house arrest in Kabul, and the military commandant of the province has been given full authority.

The Afghan Government, heartened by the success of its policy of encouraging women in Kabul to appear in public without the veil, apparently moved too fast in more conservative Kandahar. Rioting by religious elements opposing this reform took the government by surprise and was suppressed only after troops had killed a number of demonstrators. Order appears to have been restored, although tension persists.

Kabul is probably concerned lest antigovernment sentiment spread to tribes living near the Pakistani border. Localized incidents resulting from opposition by these tribes to government modernization measures have been suppressed during the past year. More widespread opposition involving several powerful tribes at one time would

present a serious threat to the Daud regime.

Daud's problem has been made more difficult by the death in late December of his uncle, Shah Mahmud, who had more prestige among the tribes than any other member of the royal family. The family is probably looking for ways to strengthen its position with the tribes, possibly through new appointments to government office.

The Afghan Government's frustration over difficulties in implementing the modernization program may also create a new strain in Afghan-Pakistani relations. Some Afghan officials have privately accused Pakistan of having a hand in the Kandahar riots, an attitude consistent with previously expressed Afghan feelings that President Ayub's regime would be harder to deal with than its predecessors. Pakistani press exploitation of the Kandahar situation may also antagonize the Afghans.

Nevertheless, Daud apparently is determined to press ahead with his programs for reform and development. Meetings to encourage social progress have been held in other parts of the country since the Kandahar riots and have received marked emphasis in the Kabul press. Daud apparently feels it would be more dangerous to give in to the opposition than to suppress it.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****7 January 1960****EAST GERMAN FARMERS RESORT TO SABOTAGE AGAINST REGIME**

East German farmers are resorting to arson, physical violence, and organized community action to prevent collectivization, according to a speech delivered by politburo member Erich Mueckenberger at the seventh plenum of the Socialist Unity (Communist) party (SED) central committee, held from 10 to 14 December. Mueckenberger, who has party responsibility for agricultural matters, declared that some 900 fires had been set in the third quarter of 1959 alone, with property damage of 5.5 million East German marks (\$2,500,000 at the legal rate). Such serious disaffection among the peasantry will bring about further deterioration of the food supply already sharply curtailed by last summer's drought.

giving lip service to the idea of voluntary collectivization--specifically endorsed



As justification for stronger measures against the farmers, Mueckenberger cited Khrushchev's statement at the Hungarian party congress that the "class struggle" does not cease during the "building of socialism," thus indicating that an intensification of pressure on independent farmers is in the offing. Party boss Ulbricht--although

"persistent persuasion"--mass intimidation--as the correct method of dealing with independent peasants.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****7 January 1960**

Some farmers have cited production figures to prove that small family farms are far more productive than collectives, and resistance to collectivization has been led, in some cases, by SED members in the interest of greater output. The regime has repeatedly denounced such "third-road" doctrines as opportunistic, non-Marxist, and "Social Democratic," and has resorted to arrests to break resistance.

Minister of Agriculture Reichelt announced at the plenum that 43.5 percent of the arable land now is in collectives. This compared with 40.9 percent in September and 37 percent in January 1959. The total socialized area, including state farms, now is 52 percent.

Reichelt said that collectivization must be accelerated, and he denounced any opposition as opportunism or weakness. He added that the planned increase of cattle and milk production under the Seven-Year Plan must be reached in 1963, two years ahead of schedule.

SED leaders are recruiting party members to go to farm areas as agitators and "colonists." Industrial workers have been sent on special "rural Sunday" trips to talk the farmers into joining collectives. The Schwerin party newspaper reported on 7 December that 8,275 agitators had visited villages the previous day. As a result, 122 independent farmers had promised to join collectives.
in by ORR)

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SOVIET BLOC RESUMES PRESSURES ON GREECE

The Soviet Union and the Balkan satellites have resumed their campaign of threats and blandishments designed to make Greece accept bloc proposals for negotiating outstanding intra-Balkan problems. Athens shows no weakening in its determination to resist these pressures, but fears that the Greek people may be impressed by conciliatory gestures from the bloc.

In late December the Soviet chargé in Athens suggested to an American Embassy official that Soviet, British, and American envoys in Sofia attempt to break the impasse between Bulgaria and Greece over war debts and reparations, ostensibly the major obstacle to better relations between the two countries.

The proposal, which anticipates the early accreditation of an American minister to Bulgaria, has not been officially broached by the USSR to the Greek Government. It parallels, however, a suggestion by former Greek Foreign Minister Pipinelis in an early December issue of a major proregime paper, Kathimerini. While the Soviet Government may have assumed that the Pipinelis article had some official backing, a Greek Foreign Ministry spokesman has privately stated that his government is opposed to such negotiations.

The absence of any publicity to date suggests that the overture was intended to sow suspicion in Athens that the United States and Britain might be willing to negotiate

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 January 1960

a settlement--under Article 36 of the Bulgarian peace treaty--without Greek participation. Refusal by the United States and Britain to accede to a formal Soviet request of this nature could also be used by bloc countries to claim that the treaty as a whole is no longer in force and thus "legalize" missile installations in Bulgaria.

In public, Moscow has adopted a somewhat harder attitude toward Greece. On 27 December, Izvestia attacked the Karamanlis government for refusing to participate in a Balkan conference and for failing to respond to Soviet overtures to improve relations.

The meeting of Bulgarian Premier Yugov and his Rumanian counterpart, Chivu Stoica, in Bucharest from 16 to 22 December appears to have involved the coordination of new measures toward Greece. Rumania's attitude toward Athens since the meeting has been conciliatory, and press articles have emphasized that the moment is opportune to settle Balkan problems. An amnesty for Greek political prisoners in Rumania--reportedly to be announced soon--would dovetail with this propaganda and serve as a goodwill gesture.

While Albania has condemned Greece for allegedly planning to set up NATO missile bases, it has tempered this by calling for improved relations and for Greek participation in a Balkan conference. There is little possibility, however, that Tirana would be willing to settle the problem of Greek claims to northern Epirus--now a part of Albania--which has been a serious deterrent to improved state relations.

Bulgarian party First Secretary Zhivkov, in an interview with the far-left Greek paper Avghi on 23 December, also called for the establishment of normal diplomatic and trade relations, and proposed that trade fairs be set up in principal cities in each country. At the 21-25 December meeting of the National Assembly, Zhivkov renewed his call for extensive bilateral Greek-Bulgarian negotiations on outstanding problems and suggested an agreement to reduce the armies of both states to the size required for border protection. The creation of a "Committee for Balkan Understanding and Cooperation" was also announced at the assembly.

Zhivkov also made the point, however, that if Greece or Turkey "persists" in plans for NATO missile bases on its territory, Bulgaria will have to petition the USSR for similar installations. Athens apparently understands this to imply that the Bulgarian threat to turn to the USSR for missile bases would be carried out if Athens and Ankara reject the proposal for a Balkan summit conference. By playing up Zhivkov's remarks in the worst possible light, Karamanlis hopes to unite the Greek people behind his government in the face of an "external threat of aggression."

Despite Athens' posture toward the bloc, Foreign Minister Averoff has privately conceded that Greece's deteriorating economic position makes it susceptible to bloc offers to absorb large agricultural surpluses in exchange for "normalizing" relations.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

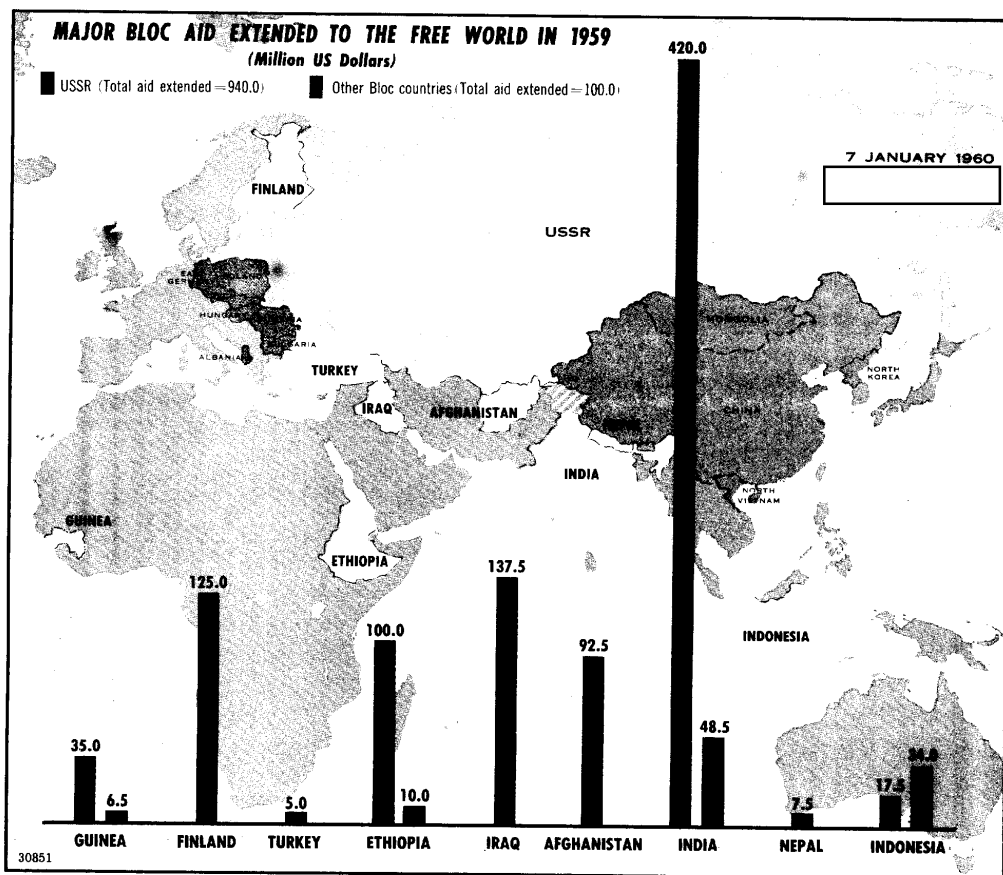
7 January 1960

SINO-SOVIET BLOC AID TO NON-COMMUNIST COUNTRIES

During 1959 the Sino-Soviet bloc extended slightly more than \$1 billion in new credits to nonbloc countries, with the USSR accounting for about 90 percent of this aid. Of this amount, \$125,000,000 was made available to Finland and the balance to underdeveloped countries in Asia, Africa, and the Middle East. In the absence of any new major agreements for military aid, 1959 became the most significant year in terms of purely economic assistance since the bloc's foreign aid campaign began in 1954. Soviet economic and military aid outside the bloc since then--

primarily to underdeveloped countries--totals about \$2.5 billion; East European nations and Communist China have extended about \$1 billion.

Some one third of the total called for in bloc aid agreements has been delivered to date. Nearly 60 percent of the aid delivered consists of military items and services provided the UAR, Afghanistan, Iraq, Indonesia, and Yemen. The Soviet-constructed Bhilai steel mill in India and a variety of projects and other economic assistance provided to Yugoslavia and Afghanistan account for most



25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

7 January 1960

of the economic aid delivered. Advanced project planning and surveys indicate that the rate of use of economic aid will be increased during 1960.

The first Soviet credits to non-Arab states in Africa were extended in 1959. Ethiopia received a standard Soviet \$100,000,000 credit and a \$10,000,000 Czech credit, and Guinea was granted a \$35,000,000 Soviet credit, as well as small assistance from other bloc countries. During the year the bloc also committed itself to aid India's Third Five-Year Plan, which begins in 1961.

New Delhi is to receive \$420,000,000 from Moscow and nearly \$50,000,000 from Prague as initial aid for the plan.

Asian countries have been the major recipients of bloc credits, accounting for 60 percent of those extended in 1959. General offers of economic assistance and a few specific proposals made elsewhere show that a further expansion of Soviet foreign aid to underdeveloped countries can be expected, with new emphasis on African and Latin American countries.
(Prepared by ORR)

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WESTERN EUROPE'S ECONOMIC GROUPINGS

An informal meeting of European finance and economics ministers in Paris on 12 and 13 January will try to find a basis for reconciling fundamental differences between the French-led European Economic Community (EEC) and the British-inspired European Free Trade Association (EFTA). The meeting will also explore the question of a joint Western program for aid to underdeveloped countries, but is unlikely to agree on means for accomplishing this.

The meeting results in part from recent expressions of concern by such leaders as Adenauer, Macmillan, and Spaak over the diverging paths of the six-nation EEC and the seven-nation EFTA, and the threat thus posed to European unity and prosperity. The possibility of directly negotiating these differences within the OEEC framework dwindled steadily during the latter half of 1959 because of France's belief that Britain was using

the OEEC to undermine the Common Market.

The composition of the ministerial meeting is largely an attempt to meet these French suspicions. Five countries from the EEC and the EFTA will participate; the permanence of the EEC is acknowledged by including representation from its executive commission, and the widespread European desire for US representation is also met.

The outlook for agreement, however, is poor. France is bent on the political and strategic advantages of the Continental EEC grouping having a common external tariff and sees no evidence that London is prepared to abandon its longer term objective of a free-trade association for all of Western Europe but giving Berlin external tariff autonomy. The informal group can hardly be expected to do more than prepare an arrangement for future negotiations on specific issues, possibly within a

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****7 January 1960**

reorganized OEEC providing full United States and Canadian membership.

Western European governments generally acknowledge the desirability of increasing and coordinating their assistance to less-developed countries. Fearful of inflation, however, national finance ministers are hesitant to allocate any substantial amount of foreign exchange to such purposes unless it is covered by new taxes--politically difficult to raise.

For this reason and because of extensive national and regional preoccupation with associated underdeveloped areas, such as the EEC commitment to Africa, there will be a tendency in the meeting not to go beyond endorsement in principle of large-scale cooperative aid and establishment of administrative machinery to work toward this end. West Germany and Italy, however, may make substantial specific offers contingent on parallel participation by other nations.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

7 January 1960

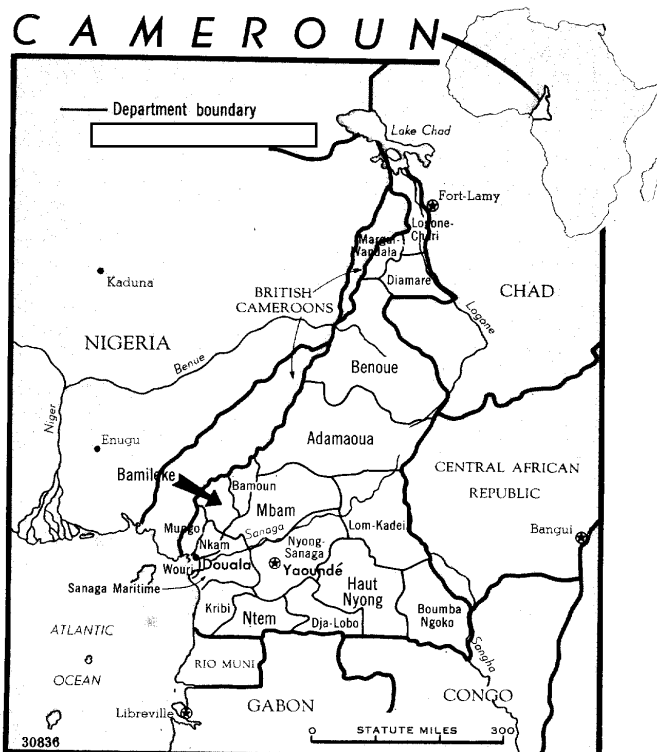
TERRORISM IN CAMEROUN

Terrorist activity by elements of the important Bamileke tribe appears to be turning into virtual civil war in parts of southwestern Cameroun, the former French-administered UN trust territory which became independent on 1 January. France's top official in the country indicated on 29 December that full-scale rebellion was raging in three fourths of Bamileke Department, where he said the two most important of many marauding bands control a large area. Normal activities have been completely disrupted in this region, from which 7,000 refugees, including some Europeans, reportedly fled to neighboring British Cameroons during the first three weeks of December.

At the same time, isolated attacks by Bamileke terrorists--who appear to be well supplied with funds and obsolete hunting weapons and to have a limited number of Czech-made automatic pistols--continue to occur in Yaoundé, Cameroun's capital, and in Douala, its seaport and largest city. Some 50 persons were reported killed and 75 wounded following particularly bold incidents staged in those cities last week as foreign guests--including several Soviet bloc delegations--were congregating for the independence ceremonies.

This increasing turbulence among the Bamileke seems to stem basically from population pressure on the tribe's limited arable land and from abuses of authority by many of its autocratic hereditary chiefs. How-

ever, the unrest is being agitated and exploited by political elements affiliated with the extremist wing of the outlawed nationalist movement, the Union of the Cameroons Population (UPC). These elements, which



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receive material and financial support from, but are by no means all controlled by, the opportunistic, exiled UPC leader Felix Moumie, are determined to overthrow moderate Prime Minister Ahidjo, whom they consider a French stooge.

This opinion of Ahidjo is shared by many of his less extreme domestic opponents, as well as by the militant nationalist leaders of Ghana, Guinea, and the UAR. Representatives from these countries, which have assisted Moumie, were conspicuously absent from Cameroun's independence celebrations.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

7 January 1960

All of Ahidjo's adversaries can be expected to exploit the expected early employment--at Ahidjo's request--of French Army units in direct, overt support of Cameroun's overtaxed security forces. Heretofore, French troops, whose strength in Cameroun is apparently soon to be increased from 2,000 to about 3,000 men, have been officially restricted to border

control operations. While the resulting stepped-up military action may contain the violence, it is also likely to impede Ahidjo's efforts to promote a national reconciliation in badly divided Cameroun and may hurt him in the crucial legislative elections he has promised to hold in late February or early March.

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MACMILLAN'S AFRICAN TRIP

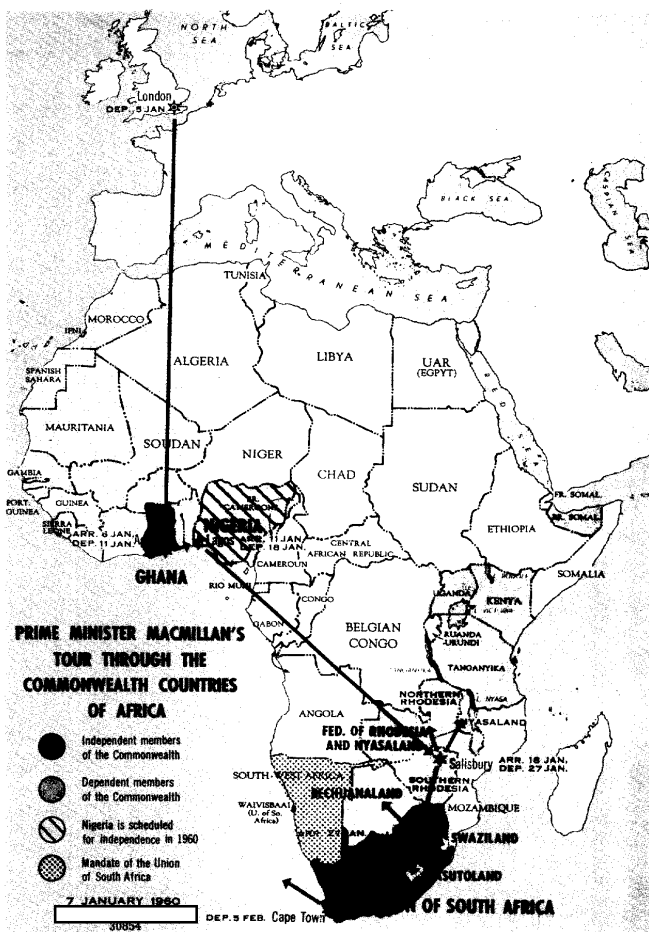
London is engaged in a re-study of its approach to the reconciliation of the clashing interests of the Africans and white settlers in Rhodesia-Nyasaland and Kenya.

Prime Minister Macmillan on 5 January began a month-long tour of Ghana, Nigeria, South Africa, and the Federation of Rhodesia and Nyasaland which will help formulate government decisions on several African questions which have become major domestic political controversies. Macmillan's visits to Accra, Lagos, and Pretoria are in the nature of a good-will Commonwealth tour, complementing a similar tour to South Asia and the Far East two years ago.

review conference scheduled for October.

On the eve of Macmillan's visit, the clash of local

In the Federation of Rhodesia and Nyasaland, London's stated aim has thus far been to hold the settler-dominated federation together. The recently established Monckton Commission will begin its investigation soon in preparation for a constitutional

**SECRET**

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

7 January 1960

interests has been heightened by Federation Prime Minister Welensky's demand for independence in 1961 and by the decision of African leaders to boycott the Monckton Commission when it visits the Federation.

The British Labor party has offered increasingly militant opposition to the government's moderate approach to African problems, and has refused to participate in the Monckton Commission. Since losing the October elections, the party has focused on African policy, in the absence of any agreement on a domestic line. It now plans to make 1960 an "African year" and to stage a massive propaganda campaign in Britain that will probably encourage African recalcitrance.

Regardless of this pressure, London may be preparing a policy shift toward the Africans' viewpoint. The Colonial Office is already contemplating letting overwhelmingly African-populated Nyasaland secede from the Federation. The new colonial secretary, Iain Macleod, during a familiarization tour of East Africa in December, was unusually persistent in seeking to meet African leaders and to increase his understanding of African demands. Macleod is planning to visit the Rhodesias later this year, and is evidently considering early negotiations with imprisoned Nyasaland nationalist leader Dr. Hastings Banda. If Macmillan talks to Banda, it will be a strong indication that the government's basic approach to its African problems has changed.

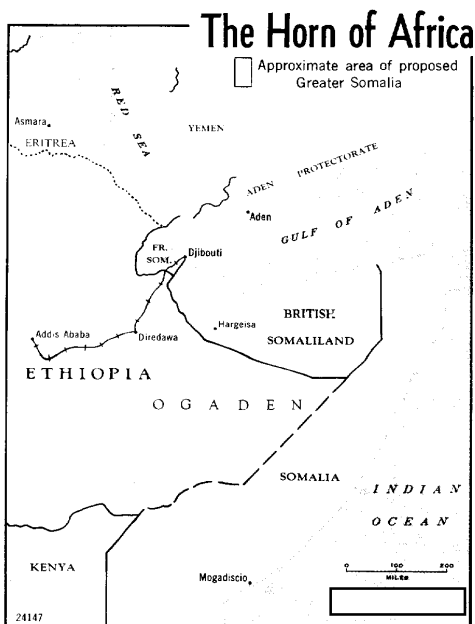
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TENSIONS BETWEEN ETHIOPIANS AND SOMALIS

Tension between Ethiopia and its Somali neighbors has increased as a result of a series of clashes in Ethiopia between Ethiopian authorities

and nomadic tribesmen from the British protectorate of Somaliland. Since 30 November more than 20 persons have been killed, and relations between Addis Ababa and London have deteriorated. Addis Ababa, desirous of extending its jurisdiction over the tribesmen, has demanded that Britain disarm them before they enter Ethiopia, but London is reluctant to comply in view of their claims that if unarmed they would be slaughtered by the Ethiopians.

With the Italian-administered trust territory of Somalia slated for independence next July, the dominant long-range problem in the Horn of Africa is Ethiopia's hostility toward Somali nationalism, particularly the concept of a Greater Somalia which would unite Somali tribes from Kenya to Djibouti and include a considerable area of Ethiopia. Addis Ababa is extremely sensitive to any suggestion of Somali expansionism and is likely to



25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 January 1960

see a threat in Britain's plan for accelerated political evolution in Somaliland. Following legislative elections there in February, Somalis will be given some ministerial responsibility in a new government in preparation for independence, possibly by 1963.

Additional aggravation of the situation may arise from the activities of the pan-Somali movement led by Mahmoud Harbi, the former nationalist premier of the overseas territory of French Somaliland who was ousted by Paris in November 1958. Its conference, however, recently held in Mogadiscio with the official, although reluctant, backing of the moderate government of

Somalia, broke up because of tribal factionalism.

Another attempt to hold a similar conference later this year is expected. Ten political resolutions were to have been introduced, including proposals for an economic and cultural boycott of Ethiopia and France and a demand that Somalia refuse, after it gains its independence, to enter into diplomatic relations with nations opposing the pan-Somali movement.

Harbi is now expected to establish an office in Cairo to promote Somali nationalism and may later seek Afro-Asian support for a visit to several capitals, including Conakry, Accra, and New Delhi. 25X1

ALGERIAN REBELS CONFER IN TRIPOLI

Reports emanating from the meeting in Tripoli, Libya, of the Algerian rebel Revolutionary Council, now in its third week, indicate that a government reorganization strengthening the influence of military figures will be announced shortly. While the rebels have denied reports that Premier Ferhat Abbas will step down, there is considerable sentiment for the abolition of several ministries. Foreign Minister Lamine-Debaghine, who has long been at odds with his colleagues in the provisional government, may be replaced.

Algerian spokesmen indicated in mid-December that one purpose of the conclave would be to develop policies in response to De Gaulle's self-determination proposals. According to Defense Minister Belkacem Krim, most council members favor negotiations despite mistrust concerning the good faith of

French military commanders in Algeria. The meeting may result in the naming of a new group of negotiators for talks with the French, although the rebels are still reluctant to take the initiative concerning a cease-fire, lest they give the impression of capitulation.

The elevation of military figures to key ministries would place in positions of power the "men who fight" to whom De Gaulle's cease-fire proposals were addressed, while simultaneously dramatizing the rebels' willingness to continue the war if a satisfactory peace cannot be arranged. In a conversation with the Libyan official, Krim stated that a majority of the council is opposed to any request for further Sino-Soviet aid, despite a general belief that such aid would enable the rebels to continue the war "indefinitely." He conceded,

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

7 January 1960

however, that a major problem facing the Algerians is the failure of Arab League nations, except for Iraq, to deliver their aid commitments.

Friction between the rebels and Tunisian President Bourguiba--which was probably responsible for the convening of the Revolutionary Council in Tripoli rather than in Tunis--has prompted discussion of

whether to relocate rebel operations now based in Tunis, especially those of the government. One result of the Tripoli meeting may be the nominal transfer of certain ministries into Algeria proper--a move presumably designed to improve liaison between the government and rebel military units while implying rebel control of extensive areas of Algerian territory. [REDACTED]

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FRENCH LABOR UNREST GROWS

French labor unions, frustrated by the Debré government's refusal to grant more than token wage increases, have recently stepped up the number and scope of short protest strikes in public services and the nationalized industries such as Air France and the railroads. While the government has shown no inclination to compromise in response to such strike action, it must expect increasingly effective union pressures as a result of the new willingness of non-Communist unions to cooperate with Communist-led organizations, especially at the local level.

Dissatisfaction among railroad employees has been smoldering since June, when Premier Debré quashed a scheduled 24-hour railroad strike by threatening to draft striking workers. The government has held firm to its offer of a 3-percent wage increase effective 1 January 1960, while unions demand an 11-percent increase promised them during the Fourth Republic.

A series of 8- to 24-hour strikes in various nationalized industries and public services such as the telephone and telegraph system during the late

fall culminated on 2 December in the most widespread work stoppages since De Gaulle came to power. Between 60 and 90 percent of the public service workers participated in a 24-hour strike protesting the government's refusal to increase the 1.5-percent wage rise planned for 1960. The three major labor confederations--the non-Communist Workers' Force and Christian Workers' Confederation, as well as the Communist-dominated General Labor Confederation (CGT)--all supported the strike.

While the national leaders of the non-Communist unions continue to oppose in principle unity of action with the Communists, plant-level cooperation has spread rapidly. The CGT has made unity of action easier for the non-Communist unions by stressing legitimate labor goals. One of the non-Communist unions stated in a recent announcement that "up to now the government has counted too much on our patient good behavior; hereafter it must count on our combativeness." This statement reflects rank-and-file pressure for more union activity that will probably foster a greater degree of labor unity and new clashes with the government. [REDACTED]

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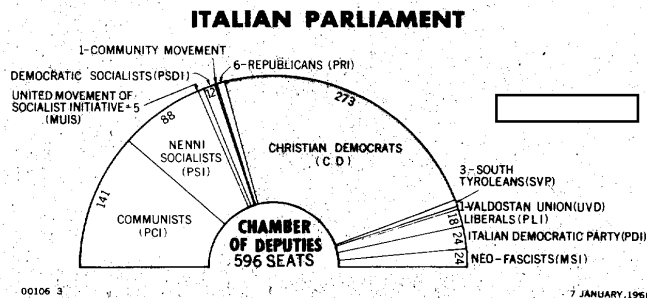
SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

7 January 1960

THREATS TO ITALIAN PREMIER SEGNI'S GOVERNMENT

Premier Segni's Christian Democratic minority government is threatened by intraparty dissension over pending major legislation and by the possible loss of parliamentary support from the right-wing parties, which fear a Christian Democrat deal with the Nenni Socialists in Sicily. The last-minute postponement of President Gronchi's trip to the USSR is probably the result of domestic pressures as well as reasons of health, and suggests that political crisis may be imminent.

Nevertheless, the Liberals, Monarchists, and neo-Fascists, recognizing that they exert more influence as supporters of the government than as part of the opposition, have recently softened their criticism of the Christian Democrats. Further-



Important elements in the right-wing Liberal and Monarchist parties opposed Gronchi's trip to Moscow, fearing that any resulting improvement in Italy's relations with the bloc would tend to benefit the Nenni Socialists, who have been Italy's chief proponents of a detente.

These rightist elements were also disturbed in December when the Christian Democratic national directorate urged the formation of a Nenni Socialist-Christian Democratic government in Sicily to replace the alliance of Silvio Milazzo's insurgent Christian Democrats with rightists, Communists, and Nenni Socialists. The rightists fear that the Christian Democrats may be tempted to reopen negotiations with the Socialists if the unsteady Sicilian government falls again.

more, Segni's concessions to nationalism in his conduct of the South Tirol dispute with Austria appear to have mollified them. They would prefer to leave it to right-wing elements within the Christian Democratic party to dump Segni, as these elements did Premier Fanfani in January 1959.

Meanwhile, conflict continues within the Christian Democratic party itself. The party's national council will discuss on 20 January a controversial antitrust bill, and it will probably also take up the problems of public versus private control over nuclear energy and of ways to finance a new \$800,000,000 agricultural plan. In addition, the party is torn by the proposal to oust the present editor of Il Giorno, the daily supported by oil tycoon Mattei. All are the subject of acrimonious cabinet debate.

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SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 January 1960

COMMUNIST INFLUENCE IN FINNISH LABOR

Tactical moves by the dissident Social Democratic faction of the Finnish Confederation of Labor (SAK) are weakening the position of the moderate SAK leadership and are greatly increasing the danger of eventual Communist domination of the organization. The danger is probably greater now than at any time during the past decade. The dissidents appear prepared to enter into a tactical alliance with the Communists, who with their sympathizers already constitute an estimated 40 percent of SAK's 240,000 members.

The controversy between the two Social Democratic trade union factions results largely from personal feuding, but there are also sharp ideological differences. The moderate faction, under SAK Chairman Reino Heinonen, feels that the trade union movement should not play an active role in party politics. Heinonen's moderates shun cooperation with the Communists. The dissident group, under the opportunistic Vice Chairman Vihtori Rantanen, inclines to the view that a militant trade union organization should "lead" the Social Democratic party. Rantanen is capitalizing on these divisions to advance his prospects for replacing Heinonen as SAK chairman in 1961. He now ap-

pears willing to cooperate with the Communists in order to achieve this goal.

In late November Rantanen announced that the six dissident Social Democrats on SAK's 17-member executive committee would no longer caucus with the eight other non-Communist members to work out differences prior to meetings of the full committee. By cooperating with the three Communists, the six dissidents could obtain a majority, but probably at the price of eventual Communist domination of SAK. The Rantanen faction and the Communists are already working to build strength among delegates to the 1961 SAK congress and appear to be well supplied with funds, which are generally considered to come from the Finnish Communist party and the Soviet Union.

Domination of SAK by such an alliance would greatly complicate any government's efforts to stabilize the economy and to provide for an orderly program of industrial expansion. The morale of the Social Democratic party would also be affected, and such a development would probably raise new obstacles to renewed cabinet cooperation between the governing Agrarians and the Social Democrats.

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PANAMANIAN POLITICAL OUTLOOK

Continued anti-US agitation and demands for further US concessions regarding the Panama Canal are expected to characterize the campaigning now getting under way for Panama's May 1960 presidential election. Leaders of nine legally inscribed parties are jockeying for party endorsement and public support.

Panama's demands for increased economic benefits from the canal are being emphasized by most political aspirants for major office. Candidates are expected to include in their campaigns perennial Panamanian demands for a larger share of canal revenues and claims that the United States has failed to live up to its treaty agreements

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 January 1960

regarding purchasing practices and wage policies of Canal Zone agencies. New canal issues, such as the current dispute over water rates paid by Panama City



to the Canal Zone, may also be exploited. Political opportunists may attempt to incite volatile Panamanian students and other nationalistic groups to create new anti-US disorders during the campaign.

The position of the National Patriotic Coalition (CPN), which has controlled the government since 1952, has been weakened by the withdrawal of four splinter parties and dissension among remaining members over the choice of Ricardo Arias as the party's presidential candidate. Arias, a former president and now ambassador to the United States, is viewed by many as the personification of the corrupt oligarchy which has ruled Panama during its entire 56-year history. Presi-

dent de la Guardia and the party rank and file are cool toward Arias' candidacy.

Panama's numerous opposition parties have had little success in their attempts to capitalize on CPN disunity because of their own inability to form a single political organi-



zation. Personal political ambitions of individual party leaders have thwarted attempts to accomplish this, but the eight opposition parties may yet merge into several coalitions later on. In any case, opposition leaders are expected to step up their attacks on the wealthy entrenched minority represented by the present government, and antiadministration incidents may occur at any time during the remainder of President de la Guardia's term.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

7 January 1960

PART III

PATTERNS AND PERSPECTIVES

DE GAULLE AND COMMUNIST CHINA

De Gaulle is apparently increasingly concerned that Peiping is the major long-range threat to world peace and has publicly characterized Communist China as a "yellow peril" which is particularly threatening the "white, European" USSR. The French are also increasingly impressed by divergent Moscow and Peiping tactics toward the Algerian problem and believe that in underdeveloped areas there is a general Soviet-Chinese rivalry which can be exploited. De Gaulle's suggestion of "nonintervention" and joint East-West aid to underdeveloped countries as summit topics is connected with his concern over Peiping, since he maintains that these topics offer the best chance for genuine cooperation between Moscow and the West as a prelude to a new world equilibrium.

Meanwhile, however, the question of France's bilateral relationship with Communist China will depend largely on purely national considerations, and De Gaulle's recognition of the Peiping regime at a tactically advantageous time is a distinct possibility.

China as a "Threat"

De Gaulle considers that nations and their national interests are the enduring elements in history, and he is convinced that international ideologies such as Communism, which claim to ignore this reality, are

transient phenomena. He has said that eventually the Soviet Union will have to make common cause with other white nations against the non-European peoples, particularly the Chinese Communists.

The "return" of the Soviet Union to cooperation with the West would, in De Gaulle's view, produce a new world equilibrium which would prevent the catastrophe of a nuclear war and guarantee the survival of Western civilization. To hasten this new equilibrium, the West, he feels, must meanwhile stop all Communist advances, particularly into underdeveloped areas.

Last May, De Gaulle raised the possibility of an East-West

The two camps (East and West) would perceive that they resemble each other, that regimes don't make any difference, that they are white men on both sides, that they are civilized people who possess great means, great resources, and that consequently their duty is the same.

--De Gaulle, in reference to his proposal for joint East-West aid to underdeveloped areas, 8 May 1959.

Doubtless, Soviet Russia, although having helped Communism become established in China, realizes that nothing can happen to prevent her, --Russia, a white European nation which has conquered parts of Asia and which, in short, is quite well endowed with land, mines, factories, and wealth--nothing can prevent her from having to reckon with the yellow multitude which is China--numberless and wretchedly poor, indestructable and ambitious, building by dint of violent efforts a power which cannot be kept within limits and looking around her at the expanses over which she must one day spread.

--De Gaulle at 10 November 1959 press conference.

Can Soviet Russia be blind to the terrible danger to which she is exposed by the presence of so powerful a neighbor as China on her Eastern flank? Is fear of this danger not already the real key to her policy and the explanation of her frantic efforts to dispose of the question of security on her western frontier by the disintegration of NATO and the neutralization of the state she considers to represent the greatest military threat to her existence, namely Germany? ... It is conceivable, ... in the face of the serious menace of China, that Russia may come into the Western camp, an occurrence which would suffice to establish the future equilibrium we are seeking.

--General Paul Ely, Chief of Staff of National Defense, in National Defense Review, February 1959.

7 JANUARY 1960

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

7 January 1960

detente based on cooperation between the "white men" on both sides. He said his March proposal for joint East-West aid to underdeveloped areas was a way to begin. He elaborated on this theme at his 10 November press conference by characterizing Peiping as "the yellow peril" when he speculated on Soviet motivations for a detente. Thus De Gaulle's proposal to include aid to underdeveloped countries in East-West summit discussions appears to be directly connected with his view that Peiping is a problem for Moscow as well as for the West.

Paris Sees Bloc Rift

De Gaulle and other French officials, who see the retention of French Africa as an essential requirement for France's bid for great-power status, have repeatedly stressed that the principal immediate danger to the West lies in the expansion of Communism into Africa. De Gaulle told Secretary Herter last April that the USSR's real interest was "not Iraq but Africa" and that the present Soviet actions were designed only to open a corridor to the latter. Hence French proposals for the southward expansion of NATO responsibilities.

De Gaulle's belief in the possibility of some arrangement with the USSR probably accounts in part for his efforts to convince Moscow that France can exert a moderating influence in the Western alliance. Moscow's present moderate line toward France has been reciprocated by De Gaulle's statements that Germany must be confined within its present borders, by his

continuing display of French independence of the "Anglo-Saxons" within NATO, and his demands for a veto on Western nuclear strategy.

French officials contrast Peiping's recognition of the Algerian provisional government and ostentatious promises of aid to the Algerians with Moscow's cautious endorsement of De Gaulle's Algerian policy. De Gaulle has stated publicly that as the Algerian rebels fail to gain their objectives, they will turn increasingly to Communist China, not to the Soviet Union. Growing contacts between China and new African states will spur De Gaulle to new efforts to hamper bloc expansion in Africa.

De Gaulle's proposal that the Big Four discuss noninterference in the affairs of others is also aimed at the bloc's African policy. His reported suggestion to Adenauer that East and West try to reach an agreement to refrain from supplying arms to neutral states suggests he may be hoping to play on Soviet-Chinese friction to induce Moscow to cooperate with the West in controlling arms shipments to the Middle East and Africa.

Recognition of Peiping

De Gaulle's investiture in June 1958 brought a flurry of rumors of an imminent French move toward closer relations with Peiping, but the Foreign Ministry reiterated its position that Paris did not intend to recognize Peiping "for the moment." The American Embassy reported in May that many

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

7 January 1960

important segments of French public opinion view recognition of Peiping favorably.

Proponents argue that (1) a viable government functions in Peiping, and recognition does not imply approval; (2) a country of 650,000,000 people cannot be ignored; (3) nonrecognition forces Communist China into dependence on Moscow; (4) improved Sino-French relations would contribute to the normalization of East-West tensions; and (5) improved relations would open up a vast market for manufactured products. Some rightist proponents of recognition argue that France should act independently and not kowtow to the United States.

De Gaulle apparently assured the Chinese Nationalist foreign minister over a year ago that France intended no new moves toward Communist China in the near future, but refused to raise French diplomatic representation at Taipei to ambassadorial level. The French Foreign Ministry said such a move might strengthen the "great pressures for recognition of Peiping from left to right." In March 1959, De Gaulle told the Japanese ambassador he did not intend to recognize Peiping because he saw nothing to be gained by a move which the British experience discouraged and which

would provoke an adverse American reaction.

While the odds may be momentarily against closer French relations with Peiping, De Gaulle is a prime exponent of stubbornly maintaining what he conceives to be French national interests, and he has not been particularly concerned with American opposition to his other proposals to enhance France's status as a major power. The question of France's bilateral relationship to Communist China will therefore depend largely on purely national considerations, and De Gaulle's recognition of the Peiping regime, at a tactically advantageous time, is a distinct possibility.

De Gaulle may estimate that ultimate French recognition of Peiping would be a necessary ingredient of any possible future arrangement with Moscow. Furthermore, he may estimate that his tactics toward the USSR--immediate firmness coupled with long-range conciliation--are equally applicable to the problem of Communist China. Particularly if he feels that direct contact with the West will lessen Peiping's dependence on Moscow, De Gaulle could be expected to work for general Western recognition of Peiping and its admission to the UN as prerequisites for a long-range and durable East-West detente.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

7 January 1960

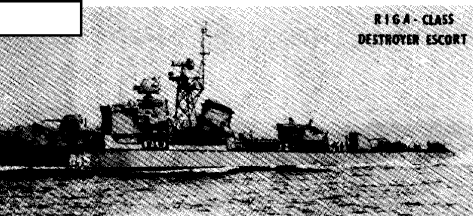
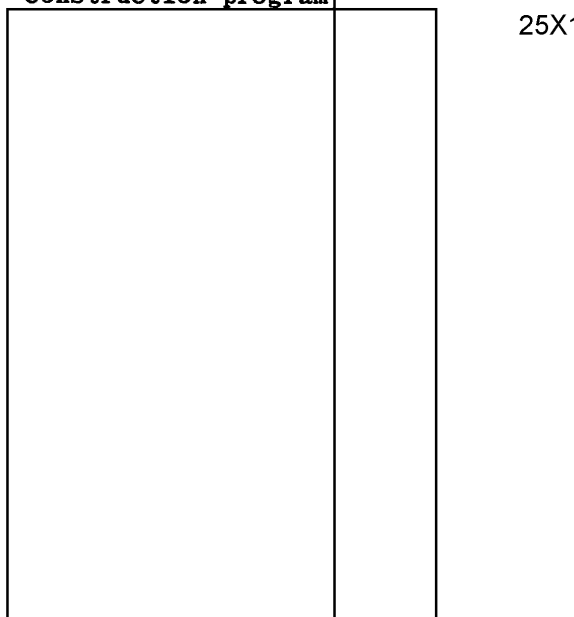
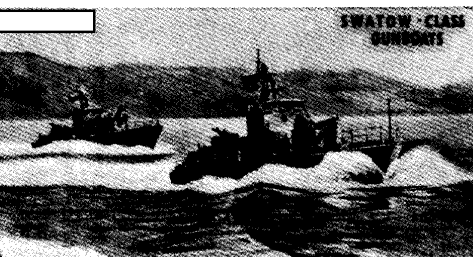
NAVAL CONSTRUCTION IN COMMUNIST CHINA

In 1949, shortly after their conquest of the mainland, the Chinese Communists began to develop a naval force based on a miscellaneous collection of antiquated ships left behind by the Nationalists and manned with personnel from ground troop units. Initially this organization, a branch of the People's Liberation Army, had no military capability, but by drawing on Soviet aid, using former Nationalist officers, and selecting crews from fishermen and other Chinese with seagoing experience, it was soon capable of minor operations.

By 1953 the navy had a formalized organization structure based on that of the Soviet Union, had established a professional officer corps, had acquired and improved a number of base facilities, and had developed an extensive training program. During the next two years a large number

of warships were transferred from the Soviet Union, including destroyers, submarines, and minesweepers. In 1955, with substantial Soviet assistance, China embarked on a considerable construction program

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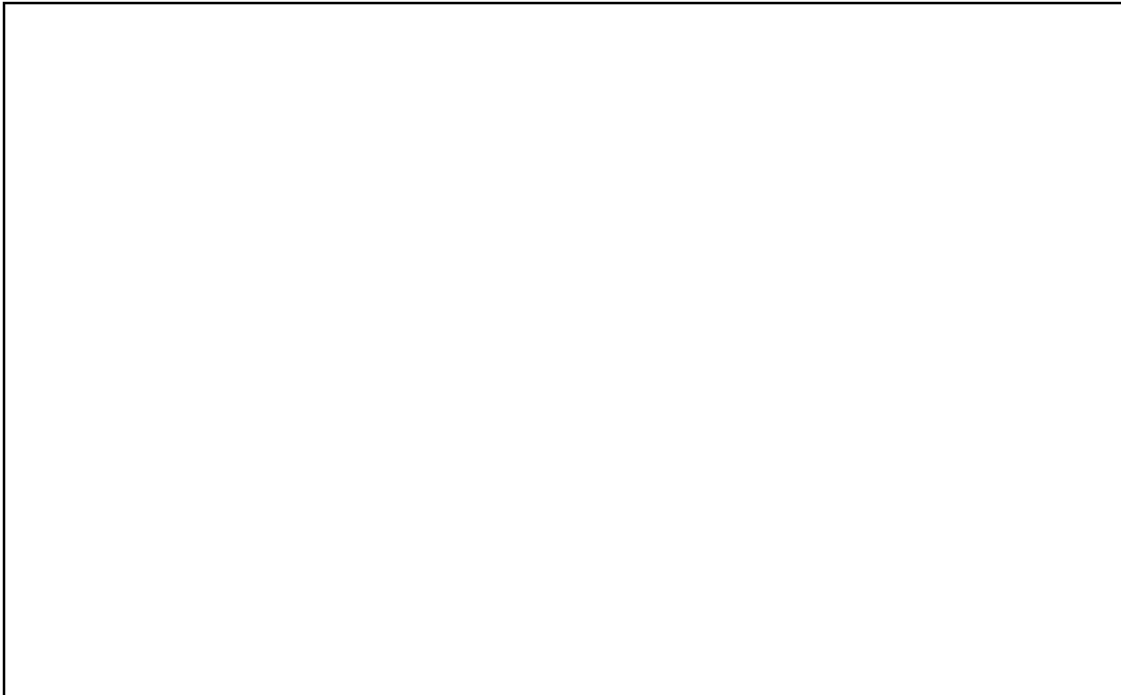
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CURRENT INTELLIGENCE WEEKLY SUMMARY

7 January 1960

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Chinese Communist naval shipbuilding was heavily dependent, initially, on Soviet assistance for most components and for direct supervision of the construction processes. Increasing Chinese sophistication in shipbuilding techniques and the growth of Chinese heavy industry, however, considerably reduced this dependency

Communist China has the fourth largest submarine fleet in the world--after the USSR, the United States, and Britain --a large and effective motor torpedo boat force, a large number of smaller units for in-shore operations, and comparatively numerous and well-developed harbors and shore facilities. In the short period since its beginning in 1949, this navy has grown into the strongest and potentially the most effective navy of any Asian nation.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

7 January 1960

COMMUNIST BLOC ACTIVITY IN NON-ARAB AFRICA

The USSR, in concert with other bloc countries, has moved rapidly to expand diplomatic, economic, and cultural ties with Guinea and Ghana and to exploit the "breakthrough" represented by Haile Selassie's acceptance of economic aid during his mid-1959 visit to the bloc. The USSR is attempting to establish relations with Liberia, pave the way for diplomatic and economic ties with Cameroun and four more African territories which are scheduled for independence in 1960, and woo nationalist leaders and movements throughout non-Arab Africa, including colonial and trust areas.

Although the ideological basis for cooperating with nationalist leaders and movements from underdeveloped areas was given formal approval by Khrushchev at the Soviet 20th party congress in February 1956, it was not until Ghana and especially Guinea became independent that bloc policy-makers apparently saw opportunities to score significant gains in the area.

At the 21st party congress in February 1959, it was declared that the "nationalist liberation movement" had entered a "new stage," particularly in Africa. During 1958 and 1959, the USSR, laying the



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CURRENT INTELLIGENCE WEEKLY SUMMARY

7 January 1960

groundwork for exploiting changing political, economic, and social conditions in Africa, initiated an expanded African research and study program, created a separate African Division in the Soviet Ministry of Foreign Affairs, and founded a "USSR Association of Friendship with Peoples of Africa." In October 1959 the Soviet Academy of Sciences established an African Research Institute in Moscow composed of the 50 leading experts on Africa to study "the African national question" and to establish contacts with scholars from African countries.

Aims and Tactics

Bloc activities in Africa are aimed at exploiting nationalist sentiment and feelings of resentment toward former colonial rulers, as well as at drawing the Africans away from the West in general. By encouraging neutralism and extending diplomatic and propaganda support, Soviet leaders hope to gain African support for their foreign policy objectives and propaganda issues.

Moscow is apparently foregoing overt efforts at this time to establish indigenous Communist parties in non-Arab Africa. By promoting an image of itself as benefactor of the newly independent African states, the USSR hopes to generate a climate in which nationalist movements can be influenced and the way opened to infiltration by African Communist elements. Local Communists, when successful in gaining a foothold in national groups and parties, work to form extremist groups, adopt militant action, and discredit leaders who "are inclined to compromise with the colonizers."

Efforts usually are made to affiliate local trade union and other such organizations

with international Communist groups. In a number of instances, particularly in colonial areas, Communist-influenced organizations have succeeded in attracting wide support from nationalist elements by posing as champions of the "oppressed" peoples.

Moscow is concentrating on offers of economic and technical assistance as opening wedges for establishing and consolidating political ties. To take advantage of the Africans' desire for rapid economic development, the bloc has extended large, long-term credits to Ethiopia and Guinea for industrial, agricultural, and public improvement projects. Under these credits, which apparently are repayable in local commodities, projects designed to satisfy the recipients' craving for such symbols of economic progress as steel mills and oil refineries may be undertaken.

Soviet policy-makers apparently see more favorable opportunities for penetration activities in small, economically nonviable countries which are impatient for industrial progress, social advancement, and assertion of their newly won sovereignty. The USSR has taken a dim view of recent moves toward establishing African regional unity. A Soviet spokesman has termed pan-Africanism "alien to the USSR's world outlook."

Propaganda Activities

Both bloc and Communist-front publications are devoting increased attention to African affairs, including lengthy articles and special issues. Large quantities of Communist literature are being made available in Africa through the open sale and illegal distribution of publications which are mailed free of charge--and, in the main, unsolicited--to individuals and

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

7 January 1960

institutions. Ghana, for example, receives literature from ten bloc countries and seven Communist international organizations.

In April 1959, Soviet broadcasts to Africa in French and English doubled to 28 hours a week. In September, Peiping began daily broadcasts to both East and West Africa--in addition to certain of its European programs which are also heard in North Africa--and the following month Czechoslovakia became the first country in Eastern Europe to broadcast specifically to Africa.

Bloc propaganda emphasizes anticolonial themes, accusing the West of economic exploitation, brutality, and "bloody repressions" in Africa, as well as attempts to stifle African national liberation movements. The USSR portrays Western aid projects as disguised colonialism, while the bloc's "disinterested" assistance is described as generous aid from a country which only recently underwent industrialization.

Over the past year, bloc countries have also sponsored a number of events in support of African nationalism, including rallies condemning the "Belgian colonialists' massacre" in the Congo, and individual "days" for the Cameroons, Uganda, and Equatorial Africa, and for "African Freedom." Most recently, extensive publicity was given to "Congo Day" on 25 November by the Afro-Asian Peoples' Solidarity Council and "Liberate Africa from Imperialism" Day on 1 December.

The bloc is also pursuing an active program of personal contacts on all levels. Government officials, political leaders, and other influential Africans are invited to visit bloc countries, where they are given red-carpet treatment. Soviet

officials go to considerable lengths to use the visits as "proof" that the USSR is wholeheartedly on the side of both newly independent and still "enslaved" African countries.

Scholarships and other types of educational aid are offered freely to African students directly by bloc officials and through front organizations--in many cases without the consent or knowledge of the student's home government. The large number of African students in Europe and other nonbloc countries provides a reservoir of contacts for Communist student front groups--the International Union of Students and the World Federation of Democratic Youth. Free tours in the bloc and paid trips to Communist-sponsored functions such as the World Youth Festival and "World Peace" meetings also are offered.

The Communist World Federation of Trade Unions (WFTU) is active in seeking contacts in Africa and in providing financial aid to the labor groups in colonial areas. A school for African trade unionists, organized by the WFTU, was opened in Budapest in August; 30 union leaders from ten African countries attended the first four-week training course. According to TASS, the courses will concentrate on the fight against colonialism and the role of the trade unions in the "struggle for national independence."

Cultural contacts are also maintained through Soviet friendship societies in Togo, the Union of South Africa, and the French Community state of Soudan. A society is being organized in Guinea, and Moscow is canvassing support for friendship groups in Uganda and Nigeria.

Guinea

Following Guinea's secession from the French Union in

SECRET

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CURRENT INTELLIGENCE WEEKLY SUMMARY

7 January 1960

September 1958, the USSR attempted to fill the vacuum by establishing political and economic ties. In contrast to Western delay, all bloc countries immediately recognized the new state. In quick succession, Bulgaria, the USSR, and Czechoslovakia established diplomatic missions and East Germany a permanent trade representative. In October 1959, Peiping and Conakry announced an agreement to exchange ambassadors.

Exploiting Guinea's economic difficulties, bloc countries negotiated trade agreements which if fulfilled would account for more than half of Guinea's foreign commerce, concluded accords for technical and cultural assistance, and provided gifts of small arms and rice. In August 1959 the USSR extended a \$35,000,000 economic development credit to Conakry. The bloc has also taken advantage of Guinea's lack of qualified technical personnel; there are about 100 bloc technicians there, and a Czech military mission is advising the Guinean Army. About 80 Guinean students have departed for study at bloc schools on medical, agricultural, and technical scholarships.

Moscow probably hopes to exploit its ties with Guinea both as an inducement and a model for close relations with other independent African states--particularly Ghana--and with the territories attaining independence in 1960. Bloc delegates--including high-level Soviet officials who were prominent at the congress of President Touré's Democratic party last September--sought to consolidate the impression that achievements during the country's first year of independence resulted largely from bloc aid.

Soviet officials used Touré's eight-day visit to the USSR in November to expound on Soviet policy toward emergent and underdeveloped countries as a whole, and to portray Guinea as a "mirror to awakening Africa." While an agreement on cultural cooperation was the only apparent tangible result of the visit, bloc media gave wide publicity to Touré's public attacks on "imperialism" and to the joint communiqué expressing support for Soviet disarmament proposals and the need for liquidation of the "shameful colonial system." Touré extended an invitation to Khrushchev to visit Guinea at some future date. He subsequently traveled to Prague, where he concluded a cultural cooperation agreement.

Ghana

The Nkrumah regime has begun to show increased receptivity toward the bloc's intensified efforts to promote contacts--probably in part as a result of Guinea's example. In August, the USSR established a diplomatic mission in Ghana, and in October, Ghana agreed to exchange legations with Czechoslovakia; serious consideration is apparently being given to an early exchange of ambassadors with Peiping. Czechoslovakia, Poland, and East Germany have permanent trade missions in Accra.

Despite Ghana's stable Western-oriented economy and its reluctance to enter into formal arrangements with the bloc, the USSR in recent months secured an informal trade agreement with Accra. All bloc missions have expressed willingness to extend aid and technical assistance to Ghana in constructing industrial facilities. While no firm credit or project has materialized, the USSR,

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 January 1960

Poland, and East Germany are investigating industrial possibilities and probably hope to participate in Nkrumah's ambitious Second Development Plan.

As a result of recent Western opposition to the Afro-Asian resolution in the UN General Assembly urging France not to conduct nuclear tests in the Sahara, Ghana's government-controlled press vehemently denounced the United States and Britain.

The Czech, Polish, and East German permanent trade missions--which account for over 60 of the 80 bloc personnel in Ghana--probably hope that their concerted effort to expand commercial ties will lead to future diplomatic relations.

Liberia

The bloc has renewed efforts to initiate contacts with Liberia. A Czech trade delegation visiting Monrovia in mid-November expressed an interest in expanding trade and suggested to President Tubman that Monrovia accept a diplomatically accredited commercial officer as the first step toward establishing full diplomatic ties. During October the Soviet deputy minister of health spent eight days in Liberia--the first Soviet official to visit there since early 1956. Tubman repeated his long-standing promise to establish relations with the USSR eventually; the high-level Soviet delegation attending Tubman's fourth inauguration in January 1960 will probably press for an early exchange.

Ethiopia-Somalia

Aid, trade, and cultural agreements signed during Haile Selassie's visit to Moscow and Prague last July are the first significant expansion of bloc activity in Ethiopia. Negotiations began in November for implementing the bloc credits--

\$100,000,000 from the USSR and about \$10,000,000 from Czechoslovakia--which probably will be used for a wide variety of industrial projects ranging from a pharmaceutical plant to an oil refinery. The USSR has offered to participate in the Emperor's land reform program, possibly by providing technical assistance and agricultural equipment. An intensified Soviet cultural exchange offensive and an expanded information program will probably result from the Soviet-Ethiopian agreement in July to expand cultural contacts.

Moscow's all-out welcome greatly impressed the Emperor and his party. Soviet officials presented the Emperor with a personal airplane and announced that the USSR would make a gift of hospital equipment and would construct and equip a secondary school for 1,000 students. While in Prague, the Emperor agreed to raise the respective diplomatic missions to embassy status. He also invited Khrushchev, Voroshilov, and Czech President Novotny to visit Ethiopia; no definite date was set, but in late October, Soviet officials in Addis Ababa said that Khrushchev would visit Ethiopia "shortly."

Poland plans to establish a legation in Addis Ababa by early 1960. Bulgaria recently opened a legation, and the first Ethiopian students to accept bloc scholarships are receiving technical training in Czechoslovakia.

Moscow probably attaches particular importance to its success in establishing close ties with Ethiopia, in view of that country's cooling relations with the UAR and opposition from Cairo to an expansion of bloc activities among African countries. The Emperor appears bent on becoming an active neutral--accepting both bloc and Western aid and moving away from his previous consistent support of

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

7 January 1960

the West in international affairs. Ethiopia recently abstained in the UN on the moratorium on Chinese representation and on the Hungarian question.

Attainment of independence in July 1960 by Somalia--now an Italian-administered trust territory--will probably intensify the Somali-Ethiopian border dispute and agitation for a "Greater Somalia" to unite the Somali tribesmen scattered throughout the area, including those in Ethiopia's Ogaden Province. Moscow has avoided taking a public position on the border dispute but in private has encouraged each country to believe it would have Soviet support.

Haile Selassie claims to have received a commitment from Khrushchev in July. Also in November, however, a Somali leader stated publicly after a trip to Moscow that Soviet officials had promised him that the USSR would not oppose the Somali position on the border issue.

Following Britain's announcement in February 1959 concerning a "possible closer association" between British Somaliland and an independent Somalia, Soviet broadcasts termed the idea a "British plot."

New States

The bloc can be expected to intensify its efforts to establish ties with newly independent Cameroun and with Somalia, Nigeria, Togo, and Mali as they become independent this year. Early recognition--as in the case of Cameroun--and offers of aid will almost certainly be extended in the hope that pressures for economic development and political prestige will

lead these new countries into broadened relations with the bloc.

According to a Somali leader who recently visited Moscow, the USSR is willing to give economic and technical aid to Somalia and to exchange consular representatives "as soon as possible." Soviet officials in Ethiopia visited Mogadiscio in early October, reportedly to locate a site for a Soviet mission.

"Dependent" Territories

Bloc penetration programs in tropical Africa and other areas still under Western control are severely limited by lack of access and contact with native groups, the primitive social organizations, and the tight control over political activities and trade exercised by France, Belgium, Portugal, and Britain. Through propaganda and cultivation of individual African leaders and ultranationalist exiles from these areas, Moscow hopes, however, to penetrate trade union, youth, and political groups^{25X1} and to exploit racial tensions.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

7 January 1960

GREECE FACES SERIOUS ECONOMIC PROBLEMS

Greece may be heading for a serious recession as a result of unfavorable trends which have developed in the economy in recent months. Despite the government's efforts to stimulate business activity and a somewhat larger agricultural harvest than in 1958, total production failed to keep pace with the expanding population during 1959. Government officials are alarmed by the situation, but are publicly painting an optimistic picture in an effort to allay the fear that is spreading. Some officials fear Soviet exploitation of the problems, especially in the agricultural sector, with its surpluses of unsalable agricultural products.

Economic Weaknesses

The country's gross national product (GNP) is estimated to have increased less than 2 percent this year--from \$2.918 billion in 1958 to \$2.970 in 1959. Much of this was accounted for by the 4-percent increase in agricultural output. Difficulties in exporting agricultural products, however, have resulted in lower prices than last year. Thus there has been no increase in farm income.

The share of the GNP contributed by manufacturing barely maintained the unsatisfactory level of 1958. Building activity, an important factor in the economy, actually decreased. Trade, normally accounting for about 10 percent of the GNP, fell off by 5 percent, and the value of mining and quarrying output declined 8 percent. The textile industry is the most depressed. About the only bright spot in recent months has been the sharp rise in invisible earnings--chiefly through tourist receipts and emigrant remittances.

Unemployment Rises Sharply

Unemployment--perhaps the country's most pressing economic problem--increased sharply in 1959, reflecting the general decline in business activity. Unemployment in urban areas is 25 percent higher than last year; underemployment in rural and semi-urban areas has also risen as a result of increased mechanization of agricultural processing industries, especially tobacco processing. In addition, depressed textile industries in northern Greece have led to unemployment in this important manufacturing area. The textile decline was caused by a loss of Balkan markets and by competition from foreign textiles following the introduction of liberal import policies in 1953.

Pressures are increasing for a return to protectionist trade policies. Greek efforts to win a favored position in the European Common Market apparently are proceeding slowly.

Implications for NATO

Economic difficulties and general poverty continue to frustrate the country's efforts to meet its NATO obligations. Greek officials believe it is impossible to fulfill the two major competing NATO goals--maintaining armed forces capable of resisting Communist attack and building a healthy economy capable of assuming a larger share of expenditures. Athens' self-financed defense expenditures average \$135,000,000 annually--about 5 percent of GNP. NATO plans call for increasing the average to \$195,000,000 annually for the period ending 1963.

Even the most optimistic estimates of Greece's growth indicate about a \$60,000,000

SECRET

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CURRENT INTELLIGENCE WEEKLY SUMMARY

7 January 1960

annual gap between the country's ability to finance its own forces and the NATO defense goals. Recent American aid--defense support and other material assistance--has been only about half this level. Thus the Greek Government probably will insist on either a reduction in its NATO obligations or a substantial increase in American economic and defense assistance.

Soviet Exploitation

Taking full advantage of these economic problems, Greek Communists have recommended increased trade with the Communist bloc as a solution to unemployment. The recent increase in bloc commercial activity, designed to foster the belief that the change in the international climate should result in larger sales of Greek agricultural surpluses to Communist countries, is having such an effect. Some non-Communist leaders now are urging more trade with the bloc, and considerable criticism of the government's "failure" to expand such trade was expressed in a recent parliamentary debate. As a result, the Greek minister of commerce has invited his Soviet counterpart to visit Greece soon. The invitation reportedly has been accepted.

Greece imports relatively little from the Communist bloc--only 6 to 7 percent of its total imports. Nevertheless, the bloc is an important market for Greek goods, with purchases amounting to almost 20 percent of Greek exports during the first six months of 1959.

Political Implications

Opposition politicians in Greece have exploited the eco-

nomie weaknesses. The major opposition party--the Communist-dominated United Democratic Left (EDA)--captured nearly 25 percent of the popular vote in the general elections of 1958, largely because of discontent with the economic situation. EDA and its satellite parties control 76 of the 300 seats in the Chamber of Deputies, while the moderate-rightist party of Karamanlis--the National Radical Union--has 170.

Pro-Communist and antigovernment sentiment is widespread among wage earners, and increasing unemployment has resulted in some non-Communist labor leaders' adopting the Communist slogan that the Karamanlis government is the "servant of the oligarchy" and is not concerned over the workers' welfare.

The 1958 electoral success of EDA increased the political polarization which had been in process for several years. The disastrous defeat of the traditional center Liberal party has forced non-Communist opposition politicians to grasp at any issue--particularly the economic situation--which may offer them salvation from political extinction.

In new elections, it seems likely that the cohesiveness of the present right-center government party would be severely tested, possibly with the result that Greece would return to a series of unstable coalition governments similar to those which governed the country prior to 1952. The possibility of such a development--with its harmful effects on the position of Greece in NATO--is directly related to the ability of the Karamanlis government to solve its economic problems.

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